

Message Text

UNCLASSIFIED

PAGE 01 COPENH 00809 210926Z

50

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

AGR-10 DODE-00 PA-02 USIA-15 PRS-01 HUD-02 /118 W

----- 035377

R 201552Z MAR 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 616

INFO USMISSION EC BRUSSELS

USDEL MTN GENEVA

AMEMBASSY OSLO

USMISSION OECD PARIS

AMEMBASSY STOCKHOM

UNCLAS COPENHAGEN 0809

E.O. 11652: N/A

TAGS: EGEN, DA

SUBJ: DANISH BUSINESS PESSIMISTIC ABOUT 1975 PROSPECTS

BEGIN SUMMARY. THE FEDERATION OF DANISH INDUSTRIES HAS TURNED DECIDEDLY PESSIMISTIC ABOUT PROSPECTS FOR THE DANISH ECONOMY AND TRADE FOR 1975. ITS MOST RECENT QUARTERLY SURVEY (MARCH 10, 1975) ADJUSTS ALL ITS PREVIOUS FORECASTS DOWNWARD, REFLECTING NOT ONLY WORSE THAN EXPECTED PRODUCTION AND EXPORT PERFORMANCES BUT CONTINUING BEARISHNESS OF DANISH INDUSTRIALISTS ON INVESTMENTS. WHILE THE BALANCE OF PAYMENTS DEFICIT IS STILL EXPECTED TO DECLINE FROM 1974, THE FEDERATION BELIEVES A DETERIORATION IN THE LATTER PART OF THE YEAR WILL LEAVE THE PAYMENTS BALANCE IN A BAD POSITION FOR THE START OF 1976. WITH LITTLE BUSINESS INCENTIVE TO EXPAND PRODUCTION OR INVEST, THE FEDERATION EXPECTS UNEMPLOYMENT

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 COPENH 00809 210926Z

WILL CONTINUE AT HIGH LEVELS THROUGHOUT THE

YEAR, REGARDLESS OF MEASURES TAKEN BY THE GOVERNMENT. WE BELIEVE THE REPORT ACCURATELY REFLECTS THE PRESENT BUSINESS MOOD. CHANGES IN EXTERNAL CIRCUMSTANCES COULD, OF COURSE, CHANGE EXPECTATIONS AND, THEREFORE, PERFORMANCE. END SUMMARY.

1. THE FEDERATION OF DANISH INDUSTRIES (FDI) NOW ESTIMATES DEVELOPMENTS IN BOTH 1974 AND 1975 AT A LOWER LEVEL THAN INDICATED BY PREVIOUS FORECASTS, BOTH BY THE GOVERNMENT AND BY THE FDI. REASONS ARE A STRONGER THAN EXPECTED SLACKENING IN EXPORTS TO EC COUNTRIES AND DELAYED DOWNWARD TRENDS NOW ALSO SHOWING IN NORDIC MARKETS, WITH NORWAY AS A POSSIBLE EXCEPTION. FDI NOW EXPECTS ONLY A 2 PERCENT RISE IN INDUSTRIAL EXPORTS AGAINST A PREVIOUS OFFICIAL FORECAST OF 4-5 PERCENT. ON THE HOME MARKET, FDI EXPECTS STAGNATION, REFLECTING SOME MODERATE INCREASE IN CONSUMER GOODS BUT DECLINE IN INVESTMENT GOODS, PARTICULARLY IN BUILDING MATERIALS.

2. INDUSTRY SALES ROSE ONLY 1.5 PERCENT IN 1974 OVER 1973. THIS SMALL IMPROVEMENT REFLECTED AN 8-9 PERCENT RISE IN THE FIRST HALF OF THE YEAR, STAGNATION IN THE THIRD QUARTER AND A 9 PERCENT DECLINE IN THE LAST QUARTER, WHEN EXPORTS FELL 4 PERCENT AND HOME MARKET SALES DECLINED 12 PERCENT. THE LARGER THAN EXPECTED DECLINE LED TO UNINTENDED INVENTORY BUILD-UP. FDI ESTIMATES THAT PRIVATE CONSUMPTION FELL 3 PERCENT IN 1974 AND MAY GO UP BY ONLY 2 PERCENT IN 1975, DESPITE TAX RELIEF, OR HALF THE OFFICIALLY ESTIMATED RATE. BUSINESS INVESTMENT DROPPED 2 PERCENT IN 1974 AND, ACCORDING TO FDI, WILL DECLINE ANOTHER 10 PERCENT IN 1975.

3. FDI EXPECTS THAT BUILDING ACTIVITY, WHICH FELL 30 PERCENT IN 1974, WILL SHOW A SIMILAR DECLINE IN 1975. CONVERSELY, PUBLIC SPENDING UNCLASSIFIED

UNCLASSIFIED

PAGE 03 COPENH 00809 210926Z

IS EXPECTED TO SHOW A SOMEWHAT STRONGER TENDENCY THAN IN 1974, INCREASING 5 PERCENT IN 1975. THE FDI FEARS THAT THE MORE EXPANSIVE FISCAL POLICY MAY PREVENT THE EXPECTED EASING OF MONEY, HENCE THAT THE NET STIMULUS MAY REMAIN UNCHANGED.

4. AGAINST AN ESTIMATED INCREASE IN TOTAL EXPORTS OF 2 PERCENT IN 1975, THE FDI SEES A 4 PERCENT

DROP IN IMPORTS ON TOP OF THE 5.5 PERCENT DECLINE IN 1974. THE FDI AGREES THAT THE IMPROVEMENT IN THE BALANCE OF PAYMENTS OVER 1974, WHICH LED TO EQUILIBRIUM BY THE TURN OF THE YEAR, WILL ALSO LEAD TO A REDUCED PAYMENTS DEFICIT IN 1975. THE FDI EXPECTS, HOWEVER, THAT THE DEFICIT WILL GRADUALLY WORSEN OVER THE YEAR, HENCE PROVIDE A POORER STARTING POSITION FOR 1976.

5. CONTINUING IN ITS PESSIMISTIC VIEW, THE FDI FORECASTS THAT EVEN THE MODEST EXPANSION IN DOMESTIC DEMAND WOULD BE REFLECTED INITIALLY IN A BADLY NEEDED INVENTORY REDUCTION AND ONLY LATER IN SOME MODERATE PRODUCTION RISES. ACCORDINGLY, THE FDI EXPECTS THAT THE PRESENT RELATIVELY HIGH LEVEL OF UNEMPLOYMENT WILL CONTINUE THROUGH THE YEAR.

6. REVIEWING INDIVIDUAL INDUSTRIES, THE FDI REPORTS DECLINING PRODUCTION IN THE FIRST QUARTER OF 1975 IN ALL INDUSTRIES EXCEPT TRANSPORT EQUIPMENT, GARMENTS AND SHOES, AND CHEMICALS WHERE VERY SLIGHT EXPANSIONS ARE REGISTERED. EMPLOYMENT IS DOWN IN ALL INDUSTRIES EXCEPT BEVERAGES AND CHEMICALS; ONLY TRANSPORT EQUIPMENT AND GLASS HAD LABOR SHORTAGES. RISING INVESTMENT WAS REGISTERED IN BEVERAGES, OIL DRILLING, RUBBER, CHEMICALS, AND, TO A LESSER EXTENT, IN FOUNDRIES, TRANSPORT EQUIPMENT AND PETROLEUM. ALL OTHER INDUSTRIES REPORTED DECLINING INVESTMENT, PARTICULARLY IN WOOD, ELECTRONICS, MACHINERY, BRICK AND MORTAR, AND PAPER, BUT ALSO SIGNIFICANTLY

UNCLASSIFIED

PAGE 04 COPENH 00809 210926Z

CANTLY IN FOOD, TEXTILES AND GARMENTS, PRINTING, AND FURNITURE.

7. EMBASSY COMMENT: AS THE FDI SURVEY REFLECTED, THE GOOD OVERALL PERFORMANCE OF DANISH EXPORTS IN 1974 HID A DECLINING TREND WHICH HAS CONTINUED INTO 1975. THIS, COMBINED WITH SLACK DOMESTIC DEMAND AND DECLINING INVESTMENT, GIVES LITTLE REASON FOR HOPE THAT THE GOVERNMENT CAN DEVISE PROGRAMS WHICH WOULD SIGNIFICANTLY REDUCE UNEMPLOYMENT WITHOUT ADVERSELY AFFECTING THE ECONOMY AS A WHOLE. EXTERNAL STIMULI, SUCH AS A RISE IN INTERNATIONAL BUSINESS CONFIDENCE AND A PICK-UP IN EXPORT DEMAND, WOULD PROBABLY BE NEEDED TO CHANGE THE TREND SO GLOOMILY SET

FORTH BY THE FDI.
CROWE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975COPENH00809
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750099-0545
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750333/aaaabdrcl.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 18 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 JUN 2003 by JonesKG>; APPROVED <09 JAN 2004 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DANISH BUSINESS PESSIMISTIC ABOUT 1975 PROSPECTS BEGIN SUMMARY. THE FEDERATION OF DANISH INDUS-
TAGS: EGEN, DA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006